

Message Text

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SUBJECT: FEDERAL/PROVINCIAL CONFERENCE OF FINANCE MINISTERS,
DECEMBER 6-7, 1976

1. SUMMARY. TWO-DAY FEDERAL/PROVINCIAL CONFERENCE OF
FINANCE MINISTERS BEGAN IN OTTAWA DECEMBER 6. CONFERENCE
WAS THIRD IN SERIES OF NEGOTIATING SESSIONS THIS YEAR ON
FISCAL ARRANGEMENTS BETWEEN FEDERAL AND PROVINCIAL GOVERNMENTS.
GOC POSITION OF SLOWING GROWTH IN FEDERAL PAYMENTS TO PROVINCES
AND DROPPING SOME PROGRAMS HAS ELICITED STRONG OPPOSITION
FROM PROVINCES. QUEBEC'S NEW PQ FINANCE MINISTER EXPECTED
JOINT OTHER PROVINCIAL MINISTERS IN REJECTING ARBITRARY CEILING
ON FEDERAL PAYMENTS. END SUMMARY.

2. WITH EXPIRY OF FISCAL ARRANGEMENTS ACT IN MARCH 1977,
FEDERAL AND PROVINCIAL AUTHORITIES HAVE HELD SERIES OF
NEGOTIATING SESSIONS THIS YEAR ON FEDERAL PAYMENTS TO
PROVINCES. ON DECEMBER 6, FEDERAL-PROVINCIAL FINANCE
MINISTERS BEGAN TWO-DAY CONFERENCE IN OTTAWA TO TRY
RESOLVE PROBLEMS.

3. ESSENCE OF GOC POSITION, AS OUTLINED BY FINMIN
MACDONALD IN EARLY SPRING, IS THAT FEDERAL PAYMENTS
TO PROVINCES HAVE GROWN FASTER THAN INCREASE IN GNP
OR FEDERAL REVENUES AND THAT GOC IS WILLING TO ALLOW
PROVINCES MORE FLEXIBILITY IN SPENDING FEDERAL PAYMENTS
IN RETURN FOR TYING FUTURE FEDERAL PAYMENTS TO GROWTH
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IN ECONOMY. MACDONALD ALSO SERVED NOTICE THAT GOC

WOULD TERMINATE REVENUE GUARANTEE PROGRAM AND CUT-BACK
ON FINANCING OF HOSPITAL CARE PROGRAM.

4. IN OCTOBER PROVINCIAL FINANCE MINISTER MET TO TRY
OBTAIN CONCERTED OPPOSITION TO FEDERAL PROPOSALS. THEY
AGREED TO OPPOSE ANY "ARBITRARY CEILING" ON EQUALIZATION
PAYMENTS AND TO DEMAND MORE "TAX POINTS" IN EXCHANGE FOR
LOSS OF REVENUE GUARANTEE PROGRAM.

5. ACCORDING NEWSPAPER AND TV REPORTS BEFORE OPENING
OF CONFERENCE, QUEBEC'S NEW MINISTER OF INTERGOVERNMENTAL
AFFAIRS CLAUDE MORIN WAS TO DELIVER STATEMENT TO EFFECT
THAT PQ GOVERNMENT WAS COMMITTED TO SEPARATION. HOWEVER,
QUEBEC FINANCE MINISTER JACQUES PARIZEAU WAS EXPECTED TO
TELL CONFERENCE THAT QUEBEC WOULD ASSOCIATE ITSELF WITH
OTHER PROVINCES ALONG LINES OF OCTOBER "AGREEMENT."

6. COMMENT: IN THIS FEDERAL/PROVINCIAL CONFRONTATION
ON FISCAL MATTERS, IT WOULD APPEAR THAT FEDERAL
GOVERNMENT HAS MOST OF BARGAINING CHIPS SINCE FEDERAL
FUNDS ARE INVOLVED AND FEDERAL GOVERNMENT HAS PRODUCED
COMPREHENSIVE PROGRAM FOR CHANGE IN FISCAL ARRANGE-
MENTS WHEREAS PROVINCES APPROACH IS MORE STATUS QUO
ORIENTED. MACDONALD IS PLAYING UP "FLEXIBLE" NATURE
OF FEDERAL GOVERNMENT POLICIES AND WILLINGNESS TO
ALLOW PROVINCES MORE FREEDOM IN SPENDING FEDERAL
FUNDS.

7. AT THIS STAGE, IT APPEARS LIKELY THAT FEDERAL
GOVERNMENT PROPOSALS WILL MOVE FORWARD DESPITE
OPPOSITION FROM PROVINCES.
ENDERS

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